COMPANY RESULTS

Pecca Group (PECCA MK)

4QFY25: Within Expectations; Long-Term Prospects Intact Despite Near-Term Caution

4QFY25 results came in within expectations. Net profit improved by 5% due to production cost efficiency despite lower revenue recorded yoy in FY25. Outlook remains cautious in the near term, weighed down by the normalisation in total industry volume (TIV), but long-term prospects remain positive. Downgrade to HOLD with a new target price of RM1.54. However, the stock still provides a good dividend yield of 4.2%.

4QFY25 RESULTS

Year to 30 Jun (RMm)	4QFY25	qoq % chg	yoy % chg	FY25	yoy % chg	Comments
Revenue	**52.8**	**-0.5**	**-3.9**	**224.4**	**-8%**	
OEM	42.7	-0.1	-5.4	185.1	-5%	
REM	2.1	18.7	-0.3	7.9	0%	
PDI	1.8	-41.5	-42.0	9.4	-43%	
Others	6.3	13.5	33.5	22.1	-5%	
EBITDA	**18.3**	**-5.5**	**-3.5**	**78.0**	**6%**	
OEM	14.81	-5.2	-4.9	64.3	9%	
REM	0.72	12.7	0.2	2.7	15%	
PDI	0.62	-44.5	-41.8	3.3	-35%	
Others	2.18	7.7	34.1	7.7	9%	
PBT	**17.7**	**-6.0**	**-5.8**	**76.0**	**5%**	
Net Profit	**13.5**	**-5.7**	**-7.2**	**57.7**	**5%**	Within expectations
Margins	**%**	**+/-ppt**	**+/-ppt**	**%**	**+/-ppt**	
EBITDA	34.7	-1.9	0.2	34.8	4.4	
PBT	33.5	-2.0	-0.7	33.9	4.2	
Net Profit	25.6	-1.4	-0.9	25.7	3.1	

Source: Pecca, UOB Kay Hian

RESULTS

- **Results within expectations.** Pecca group's (PECCA) 4QFY25 net profit came in at RM13.5m (-5.7% qoq, -7.2% yoy) which we deemed as within our expectations. This resulted in a 12M25 net profit of RM57.7m (+5% yoy) accounting for 99% of our full year forecast.
- **Net profit improved despite lower revenue in FY25.** Despite an 8% decline in revenue in FY25, as its OEM sales fell by 5% (in line with lower total industry volume (TIV)), net profit improved by 5% yoy to RM57.6m. We noted that its costs of sales improved by 14% yoy driven by better production cost efficiency as well as lower selling and administrative expenses.

KEY FINANCIALS

Year to 30 Jun (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	243	225	251	281	298
EBITDA	74	78	82	101	115
Operating Profit	68	72	76	96	109
Net profit (rep./act.)	55	58	62	77	89
Net profit (adj.)	55	58	62.3	77.4	88.7
EPS (sen)	7.3	7.7	8.3	10.3	11.8
PE (x)	20.9	20.0	18.5	14.9	13.0
P/B (x)	4.9	5.5	5.2	4.7	4.3
EV/EBITDA (x)	(2.0)	(1.3)	(1.1)	(1.0)	(1.1)
Dividend yield (%)	4.2	3.3	4.2	4.9	5.6
Net margin (%)	23	26	25	27	29
Net debt/(cash) to equity (%)	(62.8)	(47.6)	(40.2)	(42.4)	(46.3)
Interest cover (x)	19.2	20.7	21.9	30.4	29.7
ROE (%)	23.5	27.6	28.0	33.3	36.2
Consensus net profit	-	-	-	-	-
UOBKH/Consensus (x)	-	-	-	-	-

Source: Pecca Group, Bloomberg, UOB Kay Hian

HOLD

(Downgraded)

Share Price	RM1.53
Target Price	RM1.54
Upside	+0.6%
(Previous TP:	*RM1.68)*

COMPANY DESCRIPTION

Pecca Group is a leading provider of leather upholstery and interior products, serving automotive, and aviation with a strong focus on high-margin segments and global expansion.

STOCK DATA

GICS sector	Autoparts
Bloomberg ticker:	PECCA MK
Shares issued (m):	729.9
Market cap (RMm):	1,109.6
Market cap (US$m):	263.7
3-mth avg daily t'over (US$m):	8.2

Price Performance (%)

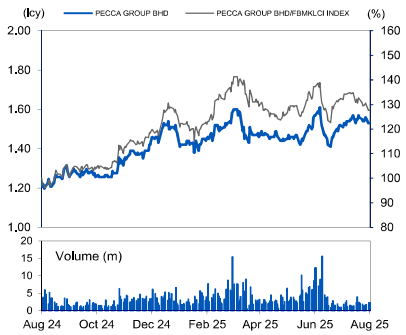
52-week high/low RM1.7/RM1.2

1mth	3mth	6mth	1yr	YTD
0.7	6.2	6.2	24.8	4.8

Major Shareholders	**%**
MRZ Leather Holdings Sdn Bhd	51.1
Sam Yin Thing	7.3
Huaren Holdings	4.8

FY25 NAV/Share (RM)	2.73
FY25 Net Cash/Share (RM)	1.18

PRICE CHART



Source: Bloomberg

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- **Declared fourth interim dividend.** Pecca has declared a fourth dividend interim of 1 sen per share (vs 4Q24: 3 sen per share), bringing the 12M25 dividend to 5 sen per share (vs 12M24: 6.5 sen per share) translating yield of 3.2% and payout of 63.3%.

STOCK IMPACT

- **OEM revenue declined on softer TIV.** The OEM segment recorded RM42.7m (-0.5% qoq, -5.4% yoy) due to the lower TIV sales volume, as 4Q25 sales were slightly lower by 1% yoy. Despite Perodua's 4% yoy sales increase in 4QFY25, the numbers were still lower by 2% yoy in 1H25. In addition, non-national brands recorded a slight decline of 0.4% yoy in sales.
- **Aviation business saw improvement yoy.** Its aviation business improved in FY25, doubling yoy to RM2.3m. This was driven by the successful delivery of seat cover replacement projects for Airbus A320 aircraft and helicopters, as well as multiple maintain, repair and overhaul projects (MRO) jobs for both local and international airlines. Moving forward, It has secured a long-term project from an MRO for domestic airlines, which we believe will improve this segment's contribution in FY26.
- **Cautious near-term outlook, but positive on the long-term prospects.** We expect a cautious near-term outlook for Pecca, given the ongoing geopolitical uncertainties, particularly the US tariff risks which may dampen growth momentum. However, we expect a recovery across its OEM, REM, and aviation segments, alongside progress in its expansion plans, supporting a projected earnings growth of 15% (three-year CAGR from FY26-FY27).

EARNINGS REVISION/RISK

- We have cut our earnings by 10% and 4% in FY26/27, after adjusting for the lower OEM, as well as PT Pecca Gemilang's contribution. We remain positive on Pecca's long-term prospects including its expansion plan across its OEM, REM and aviation segments. However, the near-term outlook remains cautious.

VALUATION/RECOMMENDATION

- **Downgrade to HOLD with a new target price of RM1.54 (previously RM1.68)** pegged to 15x 2026F PE. The stock is trading at 15x 2026F PE which is slightly lower than its five-year historical mean of 16x, which we think is fair given the current sentiment. However, Pecca offers a decent dividend yield of 4.2%.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) UPDATES

- **Environmental**
  - Pecca cut GHG emissions by 19.8% (FY22). Solar systems produced 290.9 MWh, saving 290 tonnes of CO2. Switched 60% of production lighting to LED.
  - Water use dropped 25.4% (FY22). Water cooling system replaced fans/AC.
  - Waste diversion reached 6% (FY24). Reduced hazardous waste, boosted recycling.
- **Social**
  - Zero fatalities in FY24. Some 6,162 training hours conducted for safety compliance. Enforced occupational health and safety guidelines for operations and suppliers.
  - Employees averaged 6.61 training hours in FY24, focusing on technical skills, ISO certifications, and personal development to drive excellence.
  - 30% female representation in senior management (FY24). Diversity policy promotes inclusion. Competitive compensation and benefits support wellbeing.
- **Governance**
  - Zero corruption incidents in FY24. Board has 28.6% female representation, meeting Malaysian Code on Corporate Governance guidelines. Anti-bribery and anti-corruption policies and whistleblowing policy ensure ethical practices.

KEY ASSUMPTIONS

	FY25	FY26F	FY27F	FY28F
Revenue (RMm)	**224.4**	**250.6**	**280.8**	**298.2**
OEM	185.1	192.2	194.1	196.0
REM	7.9	21.6	32.8	43.1
PDI	9.4	9.6	9.8	10.0
PT Pecca Gemilang	6.0	9.7	11.7	11.7
Aviation	2.3	15.0	30.0	35.0
PAT (RMm)	**57.6**	**62.3**	**77.4**	**88.7**
Growth yoy (%)	5	8	24	15
Net Margin (%)	25	25	27	29

Source: Pecca, UOB Kay Hian

PROFIT & LOSS

Year to 30 Jun (RMm)	2025	2026F	2027F	2028F
Net turnover	**225**	**251**	**281**	**298**
EBITDA	78	82	101	115
Deprec. & amort.	72	76	96	109
EBIT	-6	-6	-6	-5
Associate contributions	72	76	96	109
Net interest income/(expense)	4	4	3	4
Pre-tax profit	**76**	**80**	**99**	**113**
Tax	-18	-18	-22	-25
Minorities	0	0	0	0
Net profit	**58**	**62**	**77**	**89**
Net profit (adj.)	58	62	77	89

BALANCE SHEET

Year to 30 Jun (RMm)	2025	2026F	2027F	2028F
Fixed assets	42	40	39	38
Other LT assets	24	24	24	24
Cash/ST investment	105	95	108	129
Other current assets	75	105	117	123
Total assets	**245**	**265**	**288**	**315**
ST debt	1	1	1	1
Other current liabilities	23	29	32	34
LT debt	4	4	4	4
Other LT liabilities	7	7	7	7
Shareholders' equity	209	222	243	268
Minority interest	1	1	1	1
Total liabilities & equity	**245**	**265**	**288**	**315**

CASH FLOW

Year to 30 Jun (RMm)	2025	2026F	2027F	2028F
Operating	**47**	**39**	**71**	**85**
Pre-tax profit	76	80	99	113
Tax	-21	-18	-22	-25
Deprec. & amort.	5	6	6	5
Working capital changes	-9	-25	-8	-5
Other operating cashflows	-4	-4	-3	-4
Investing	**-1**	**0**	**-1**	**0**
Capex (growth)	-5	-5	-5	-5
Others	0	0	0	0
Financing	**-95**	**-49**	**-57**	**-64**
Dividend payments	-63	-49	-57	-64
Loan Repayment	8	2	0	0
Others/interest paid	-33	0	0	0
Net cash inflow (outflow)	**-49**	**-10**	**14**	**21**
Beginning cash & cash equivalent	**154**	**105**	**95**	**108**
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	**105**	**95**	**108**	**129**

KEY METRICS

Year to 30 Jun (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	34.8	32.6	36.0	38.5
Pre-tax margin	33.9	31.8	35.2	38.0
Net margin	25.7	24.9	27.6	29.7
ROA	23.5	23.6	26.8	28.2
ROE	27.6	28.0	31.8	33.1
Growth				
Turnover	-7%	12%	12%	6%
EBITDA	6%	5%	24%	14%
Pre-tax profit	5%	5%	24%	15%
Net profit	5%	8%	24%	15%
Net profit (adj.)	5%	8%	24%	15%
EPS	7.7	8.3	10.3	11.8
Leverage				
Debt to total capital	2.6	2.4	2.2	2.0
Debt to equity	2.6	2.4	2.2	2.0
Net debt/(cash) to equity	(47.6)	(40.2)	(42.4)	(46.3)
Interest cover (x)	20.7	21.9	30.4	29.7

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